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BEFORE THE ARIZONA CORPORATION COMMISSION  
**DOCKETED**

CARL J. KUNASEK  
CHAIRMAN  
JIM IRVIN  
COMMISSIONER  
WILLIAM A. MUNDELL  
COMMISSIONER

JUN 09 2000

DOCKETED BY

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IN THE MATTER OF THE APPLICATION OF  
MCLEODUSA TELECOMMUNICATIONS  
SERVICES, INC. FOR A CERTIFICATE OF  
CONVENIENCE AND NECESSITY TO PROVIDE  
COMPETITIVE RESOLD AND FACILITIES-  
BASED LOCAL EXCHANGE AND EXCHANGE  
ACCESS TELECOMMUNICATIONS SERVICES.

DOCKET NO. T-03267A-99-0705

DECISION NO. 62627

**OPINION AND ORDER**

DATE OF HEARING: May 19, 2000  
PLACE OF HEARING: Phoenix, Arizona  
PRESIDING OFFICER: Stephen Gibelli  
APPEARANCES: Mr. Michael W. Patten, BROWN AND BAIN, P.A., on  
behalf of McLeodUSA Telecommunications Services,  
Inc.;  
Ms. Jennifer Prendiville, FENNEMORE CRAIG, P.C.,  
on behalf of U S WEST Communications Inc.,  
Intervenor, and;  
Ms. Teena Wolfe, Staff Attorney, Legal Division, on  
behalf of the Utilities Division of the Arizona  
Corporation Commission.

**BY THE COMMISSION:**

Having considered the entire record herein and being fully advised in the premises, the  
Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

**FINDINGS OF FACT**

1. McLeodUSA Telecommunications Services, Inc. ("Applicant" or "McLeodUSA") is  
an Iowa corporation, authorized to do business in Arizona since 1996.
2. On December 8, 1999, McLeodUSA filed with the Commission an application for a  
Certificate of Convenience and Necessity ("Certificate") to provide competitive resold and facilities-  
based local exchange and exchange access telecommunications services in Arizona.
3. On February 24, 2000, Applicant filed a supplement to its application.

1           4.     On February 29, 2000, Applicant filed Affidavits of Publication indicating that  
2 McLeodUSA published notice of the application.

3           5.     On May 1, 2000, the Commission's Utilities Division Staff ("Staff") filed its Staff  
4 Report, which recommended approval of the application and included a number of additional  
5 recommendations.

6           6.     On May 12, 2000, U S West Communications, Inc. ("U S WEST") filed a Motion for  
7 Leave to Intervene, and was granted intervention prior to the commencement of the hearing on May  
8 19, 2000.

9           7.     Pursuant to the May 10, 2000 Procedural Order, a hearing was held on May 19, 2000,  
10 and Applicant and Staff presented evidence. U S WEST cross-examined witnesses, but did not  
11 present any evidence.

12           8.     U S WEST and McLeodUSA have reached an interconnection agreement that was  
13 approved by the Commission in Decision No. 62282.

14           9.     The management of McLeodUSA has many years of experience in "  
15 telecommunications industry.

16           10.    Applicant has the technical capability to provide the services that are proposed in its  
17 application.

18           11.    Currently there are several incumbent providers of local exchange, toll, and exchange  
19 access services in the service territory requested by Applicant, and at least twelve other entities have  
20 been authorized to provide competitive local exchange services in all or portions of that territory.

21           12.    It is appropriate to classify all of Applicant's authorized services as competitive.

22           13.    The Staff Report stated that the Applicant has no market power and the reasonableness  
23 of its rates would be evaluated in a market with numerous competitors.

24           14.    Staff recommended that McLeodUSA's application for a Certificate to provide local-  
25 exchange, and interexchange telecommunications services be granted subject to the following  
26 conditions:

- 27  
28           (a)     That McLeodUSA be required to file its proposed tariffs at least 30 days pr.  
to the provision of service, or within 30 days of a Decision in this matter,

whichever is sooner;

- (b) That, unless it provides services solely through the use of its own facilities, McLeodUSA procure an Interconnection Agreement before being allowed to offer local exchange service;
- (c) That McLeodUSA file with the Commission its plan to have its customers' telephone numbers included in the incumbent's Directories and Directory Assistance databases within 30 days of an Order in this matter;
- (d) That McLeodUSA pursue permanent number portability arrangements with other LECs pursuant to Commission rules, federal laws, and federal rules;
- (e) That McLeodUSA agree to abide by and participate in the AUSF mechanism instituted in Decision No. 59623, dated April 24, 1996 (Docket No. R-0000-95-0498);
- (f) That McLeodUSA abide by the quality of service standards that were approved by the Commission for USWC in Docket No. T-01051B-93-0183;
- (g) That in areas where McLeodUSA is the sole provider of local exchange service facilities, McLeodUSA will provide customers with access to alternative providers of service pursuant to the provisions of Commission rules, federal laws, and federal rules;
- (h) That McLeodUSA be required to certify, through the 911 service provider in the area in which it intends to provide service, that all issues associated with the provision of 911 service have been resolved with the emergency service providers within 30 days of an Order in this matter;
- (i) That McLeodUSA be required to abide by all the Commission decisions and policies regarding CLASS services;
- (j) That McLeodUSA be required to comply with A.A.C. R14-2-1111, which requires local exchange companies provide 2-PIC equal access;
- (k) That McLeodUSA be required to notify the Commission immediately upon changes to McLeodUSA's address or telephone number; and,
- (l) That McLeodUSA be required to abide by all Commission rules and regulations.

15. According to Staff, McLeodUSA has submitted the financial statements of its parent company McLeodUSA Incorporated ("MCLD"). These financial statements list assets of \$2.84 billion, a retained deficit of \$362.3 million, total equity of \$740.8 million, and a net loss of \$91.9 million, on revenues of \$187.4 million for the six months ended June 30, 1999.

16. Based on the financial information provided, Staff believes that McLeodUSA has sufficient financial strength to offer telecommunications services in Arizona.

17. On May 18, 2000, U S WEST filed comments requesting that McLeodUSA's Certificate be geographically limited to the areas that it can serve and intends to serve in the future; that the Commission should specify that McLeodUSA is a public service corporation and it is required to operate as a carrier of last resort; and that McLeodUSA should be subject to fair rate of return and rate base requirements.

### CONCLUSIONS OF LAW

1. Applicant is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-281 and 40-282.

2. The Commission has jurisdiction over Applicant and the subject matter of the application.

3. Notice of the application was given in accordance with the law.

4. A.R.S. § 40-282 allows a telecommunications company to file an application for a Certificate to provide competitive telecommunications services.

5. Pursuant to Article XV of the Arizona Constitution as well as the Arizona Revised Statutes, it is in the public interest for Applicant to provide the telecommunications services set forth in its application.

6. With the conditions stated below, McLeodUSA is a fit and proper entity to receive a Certificate authorizing it to provide competitive resold and facilities-based local exchange and exchange access telecommunications services in Arizona.

7. The telecommunications services that the Applicant intends to provide are competitive within Arizona.

8. Pursuant to Article XV of the Arizona Constitution as well as the Competitive Rules, it is just and reasonable and in the public interest for Applicant to establish rates and charges which are not less than the Applicant's total service long-run incremental costs of providing the competitive services approved herein.

9. Staff's recommendations in Findings of Fact No. 14 are reasonable and should be adopted.

...

**ORDER**

IT IS THEREFORE ORDERED that the Application of McLeodUSA Telecommunications Services, Inc. for a Certificate of Convenience and Necessity for authority to provide competitive resold and facilities-based local exchange and exchange access telecommunications services in Arizona shall be, and is hereby, granted, as conditioned below.

IT IS FURTHER ORDERED that prior to providing local exchange service, McLeodUSA Telecommunications Services, Inc. shall comply with all of the Staff recommendations set forth in Findings of Fact No. 14.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

  
CHAIRMAN

  
COMMISSIONER

  
COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 9TH day of June, 2000.

  
BRIAN C. McNEIL  
EXECUTIVE SECRETARY

DISSENT \_\_\_\_\_  
SG:bbs

1 SERVICE LIST FOR:

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SERVICES, INC.

2  
3 DOCKET NO.:

T-03267A-99-0705

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